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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

July 30, 2002

The Honorable Charles O. Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Mr. Joseph Kehoe
Commissioner
Small Business/Self-Employed Division
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Commissioners Rossotti and Kehoe:

Over the last two years, I have followed closely your efforts to improve the Internal Revenue Service' (IRS) Electronic Tax Law Assistance (ETLA) program in response to the Treasury Inspector General for Tax Administration's (TIGTA) reviews showing an unacceptably low level of correct answers provided through the program. Earlier this month, TIGTA issued a follow-up report on the program focusing specifically on the IRS' ability measure the quality of the agency's responses to tax-law questions posed by small business owners through the ETLA program.

In its Management Advisory Report, entitled "The Internal Revenue Service Needs a Reliable Measure of the Quality of Electronic Tax Law Assistance Provided to Small Businesses and Self-Employed Taxpayers" (Reference Number: 2002-30-120), TIGTA noted that the IRS statistics for the ETLA program are based on all inquiries received from all taxpayers, regardless of the operating division responsible for that taxpayer. Accordingly, TIGTA found that "the IRS does not have a separate, statistically reliable measure of the quality of service that the ETLA Program is providing" to the approximately seven million small businesses and 33 million self-employed individuals in this country.

As the Ranking Member of the Senate Committee on Small Business and Entrepreneurship, I appreciate your efforts to provide a short-term solution to this problem through the manual tracking procedure that the agency implemented in February. I am concerned, however, by TIGTA's conclusion that such procedures are subjective and lead to statistically unreliable measurement of the ETLA program's performance. In contrast, I believe TIGTA's recommendation that the IRS collect customer-segment data from taxpayers seeking advice through the ETLA program would provide an objective, long-term solution.

In your response to the TIGTA report, you raise concerns that this customer-segment data would compromise the "totally anonymous, one-way interaction" underlying the ETLA program. It is unclear why this would occur when, as TIGTA points out, the ETLA program already requires the taxpayer to provide an e-mail address, and the agency provides specific responses directly to the taxpayers posing the questions. Asking taxpayers to identify one of four customer segments hardly seems to compromise anonymity any further.

Moreover, I believe most taxpayers would view a request for customer-segment information as a significant improvement to the ETLA program. By asking taxpayers to identify their customer segment (e.g., small business/self-employed), the IRS would indicate that the agency is taking steps to direct the taxpayer's questions to IRS employees with the specialized knowledge that taxpayers believe their questions deserve. Accordingly, such customer-segment information will provide the IRS with the valuable information it needs to improve the program and serve the taxpayers through more accurate responses.

With the ETLA program fielding approximately 264,000 questions in Fiscal Year 2001, this program holds significant benefits for small businesses and the self-employed faced with an enormously complex tax code. As TIGTA points out, the program is an important avenue for taxpayers to obtain one-on-one assistance electronically with the potential for reducing filing errors before they occur. In addition, the program is a testament to the IRS' vision of a "government of the 21st century" based on technology that allows taxpayers and the agency to communicate efficiently online.

Accomplishing these goals, however, requires prompt action to ensure that the program provides accurate responses to taxpayers. I appreciate your willingness to examine TIGTA's recommendations for improving the quality-measurement system for the ETLA program. I urge you to undertake the feasibility study you have proposed as quickly as possible, and I request a copy of the study results once they are completed. Furthermore, I urge to begin collecting customer-segment information beginning with the next filing season in 2003. Such information will contribute greatly to your efforts to improve the ETLA program's accuracy rate with respect to small business tax questions and enhance customer service.

Thank you for your assistance with this matter and for taking appropriate action to ensure that small business taxpayers can confidently rely on the IRS when seeking assistance with their tax returns. If you have any questions or would like to discuss this matter in greater detail, please do not hesitate to contact me or have your staff contact Mark Warren, the Committee's Tax Counsel, at 202/224- .

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written over a horizontal line.

Christopher S. Bond
Ranking Member